



Zain Group Financial Results

Q1 2020



Disclaimer

- ❖ Mobile Telecommunications Company KSCP “Zain Group” has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.
- ❖ Certain portions of this document contain “forward-looking statements”, which are based on current expectations and reasonable assumptions, we can however give no assurance they will be achieved.
- ❖ The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.
- ❖ Furthermore, it should be noted that there are a myriad potential risks, uncertainties and unforeseen factors that could cause the actual results to differ materially from the forward-looking statements made herein.
- ❖ Accordingly, this presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for, or otherwise acquire or dispose of, securities in any company within Zain Group.

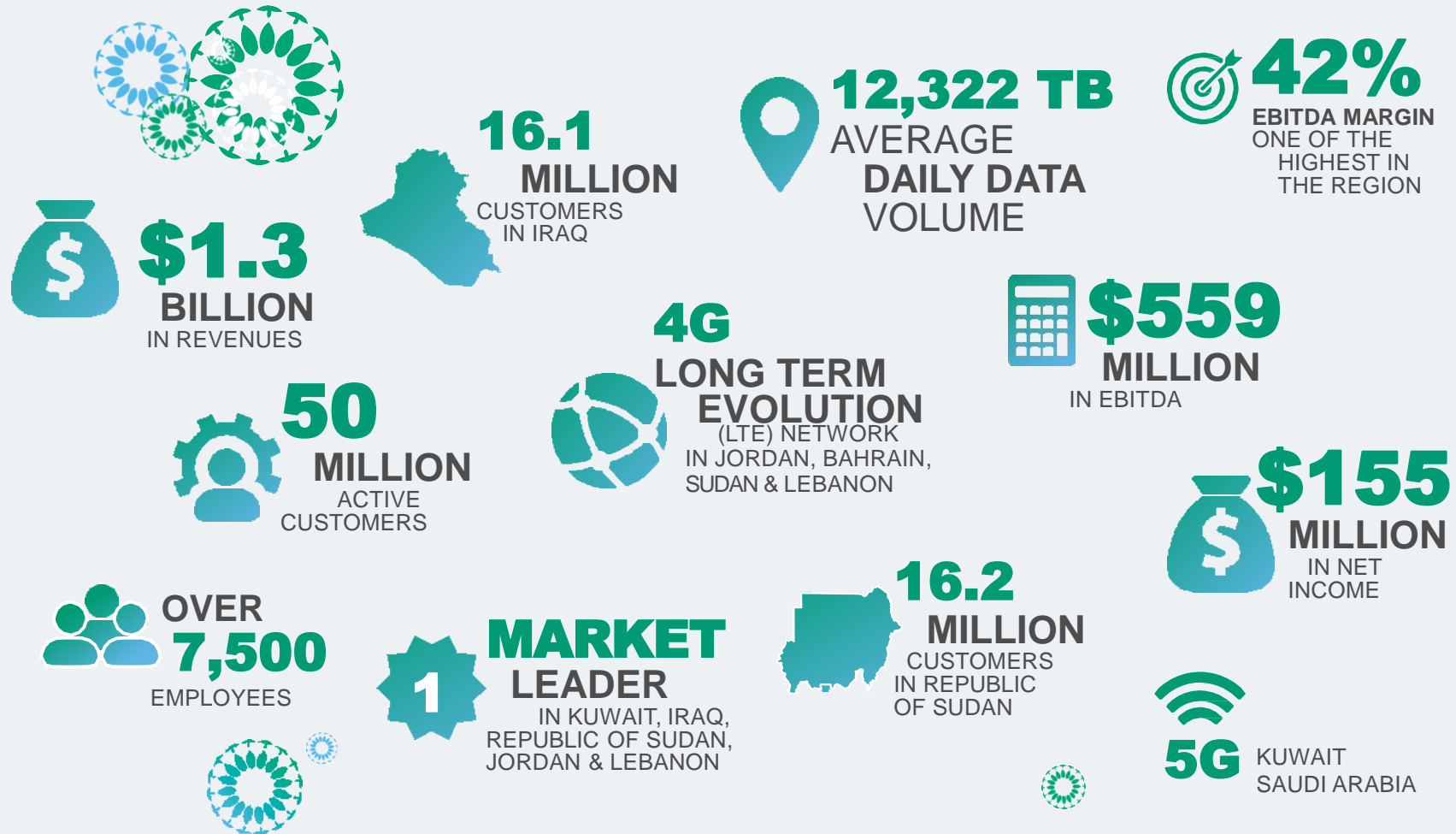
For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at IR@zain.com or visit www.zain.com/en/investor-relations/

Content

1. Results Review
2. Operations review
3. Financial Statements

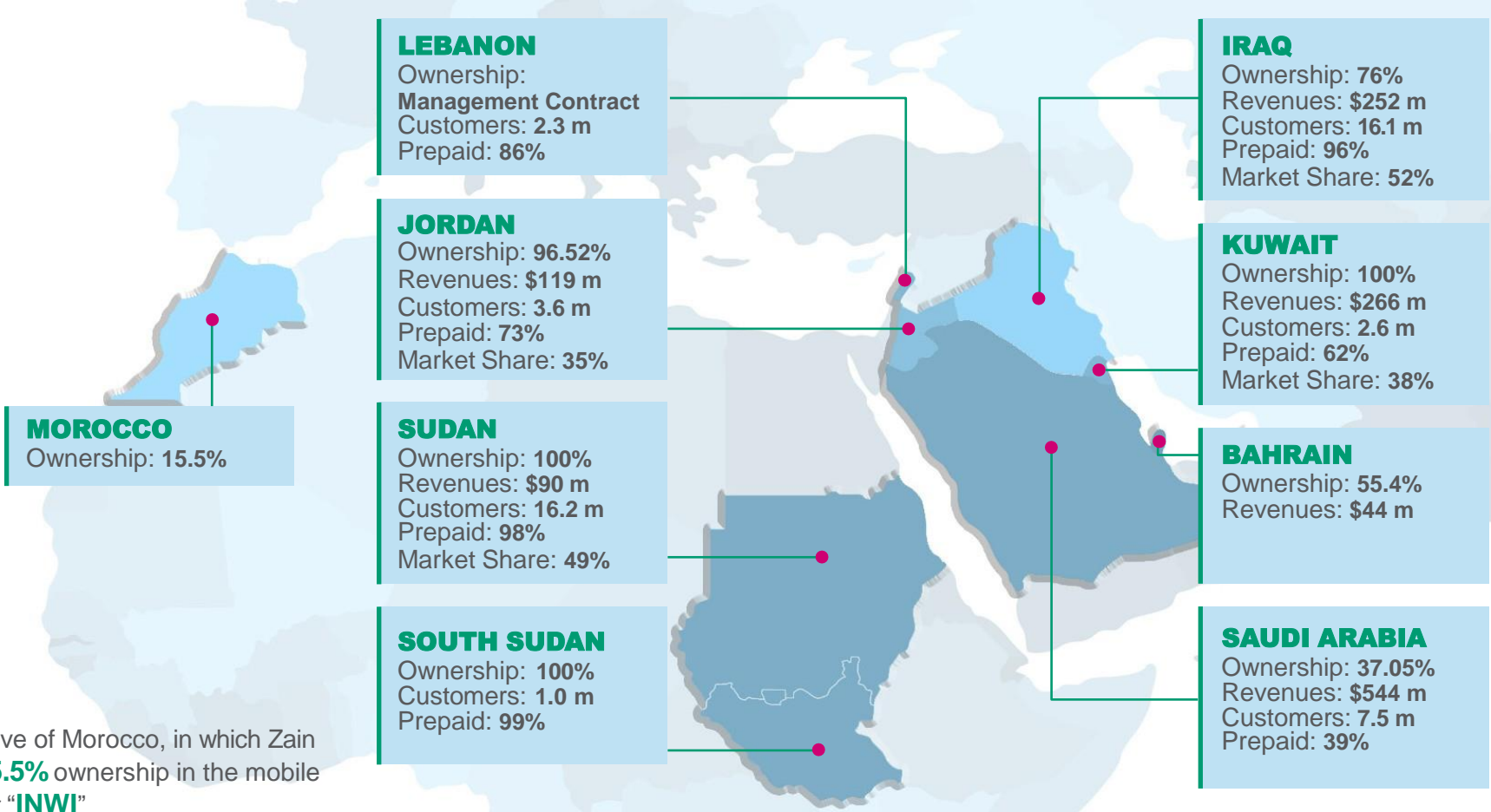


Zain At A Glance – Q1 2020



The World of Zain

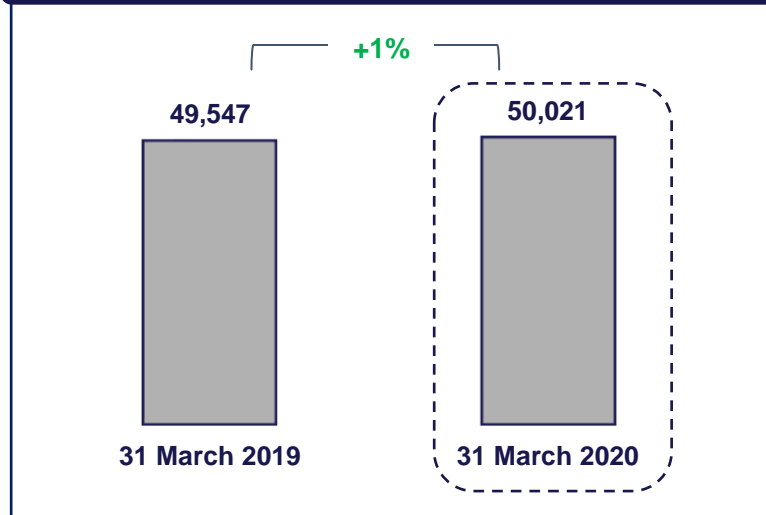
ZAIN'S WORLD CATERS TO **50** MILLION CUSTOMERS IN **8** COUNTRIES*



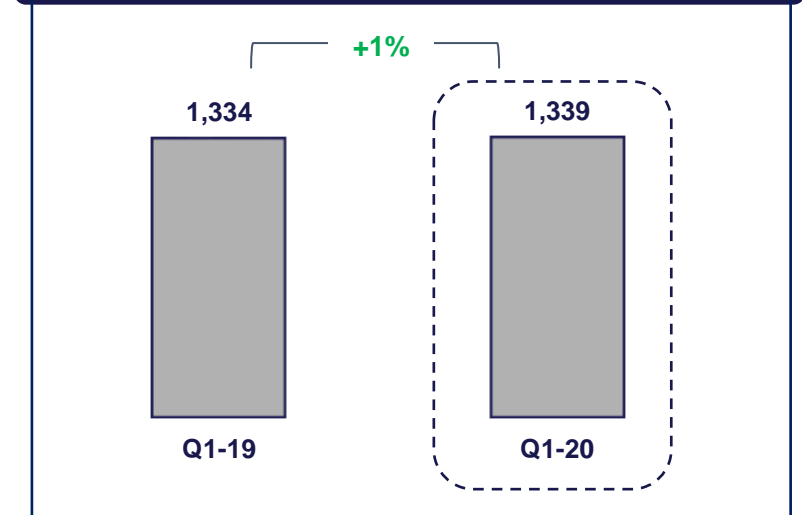
* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

Group Financial Highlights – Q1 2020

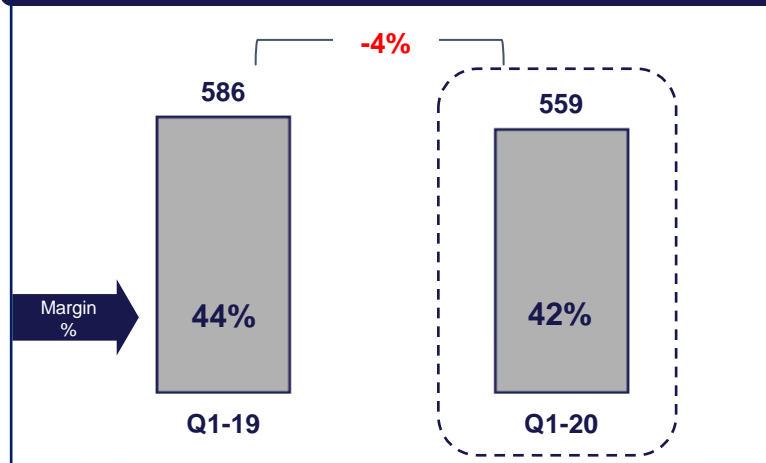
CUSTOMERS (000)



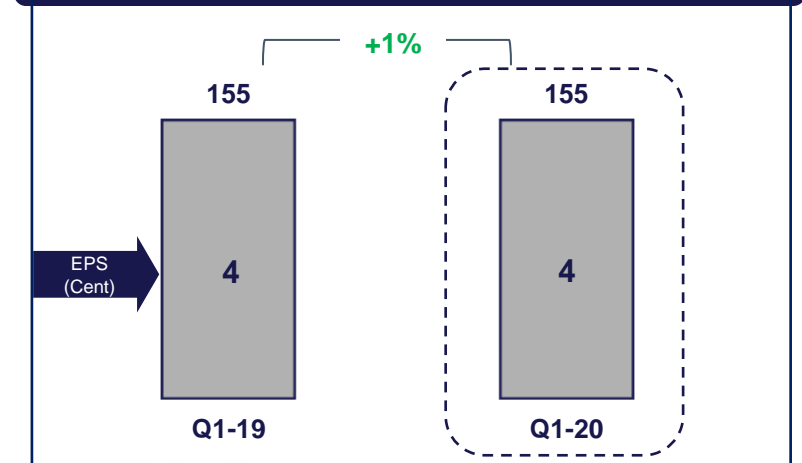
REVENUES (USDm)



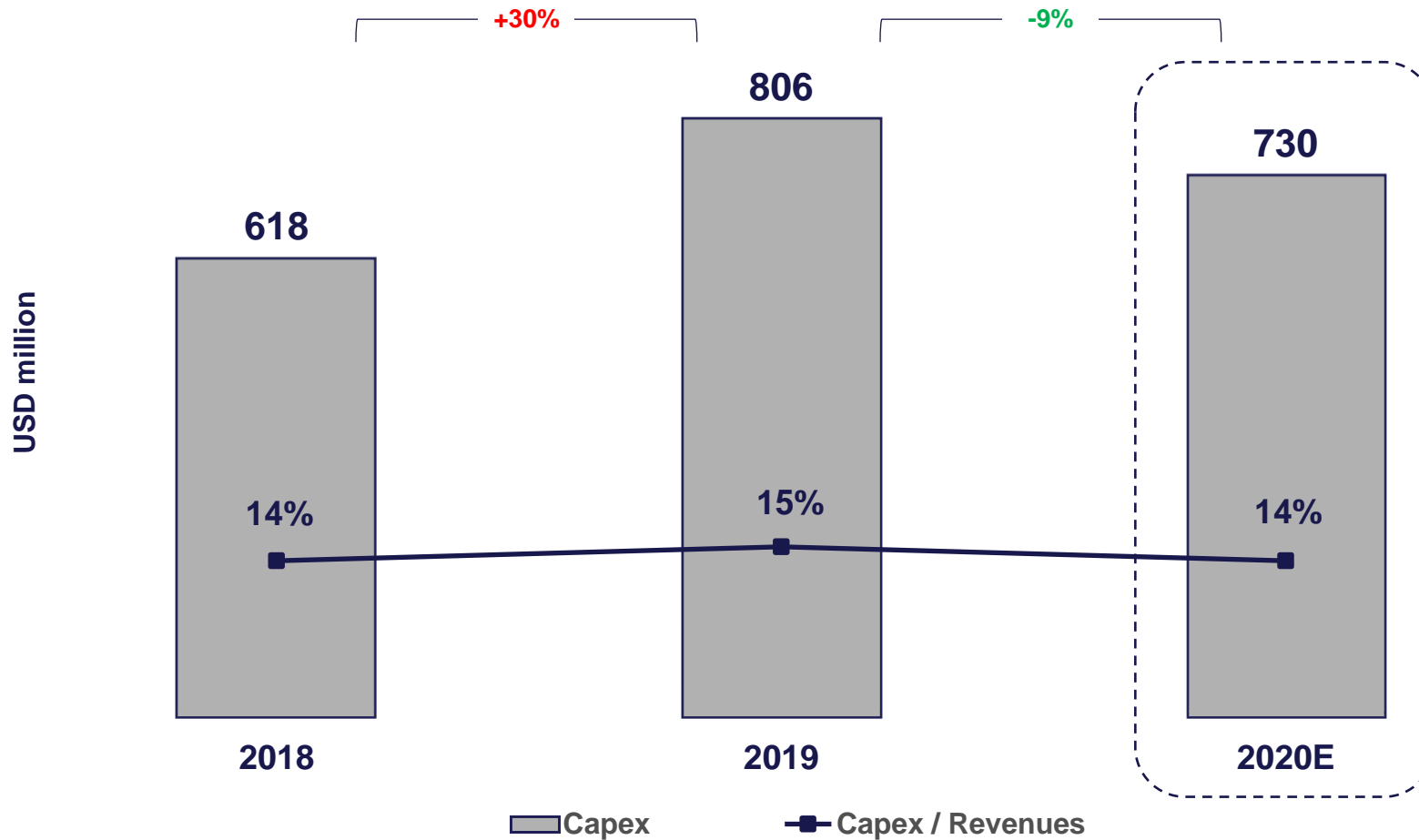
EBITDA (USDm)



NET INCOME (USDm)



CAPEX & CAPEX / REVENUE



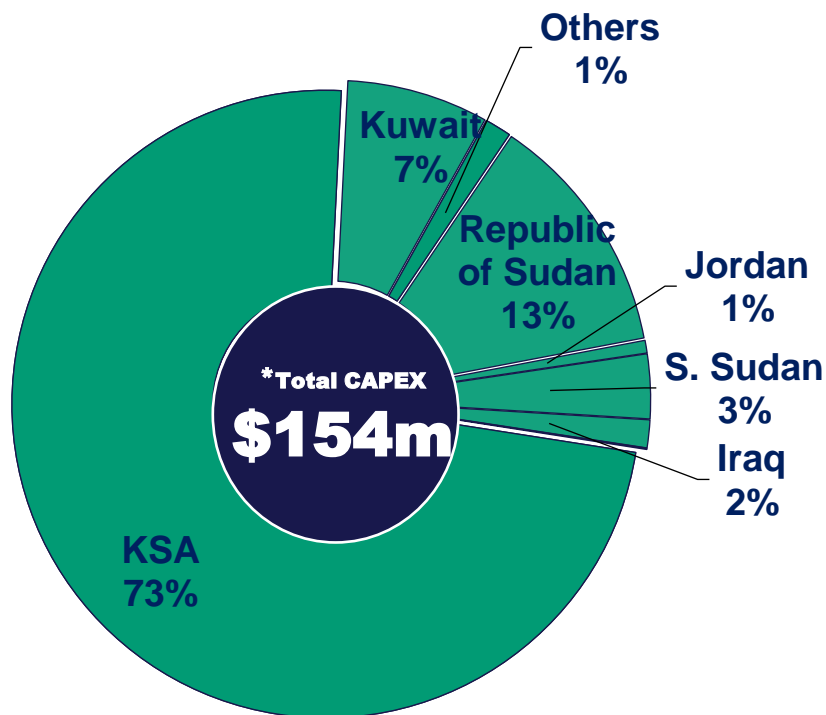
* 2018 Capex includes Zain KSA Capex from Q3 2018 onwards

* Capex includes only tangible assets

* 2020 Capex estimated

TOTAL CAPEX

CAPEX BREAKDOWN

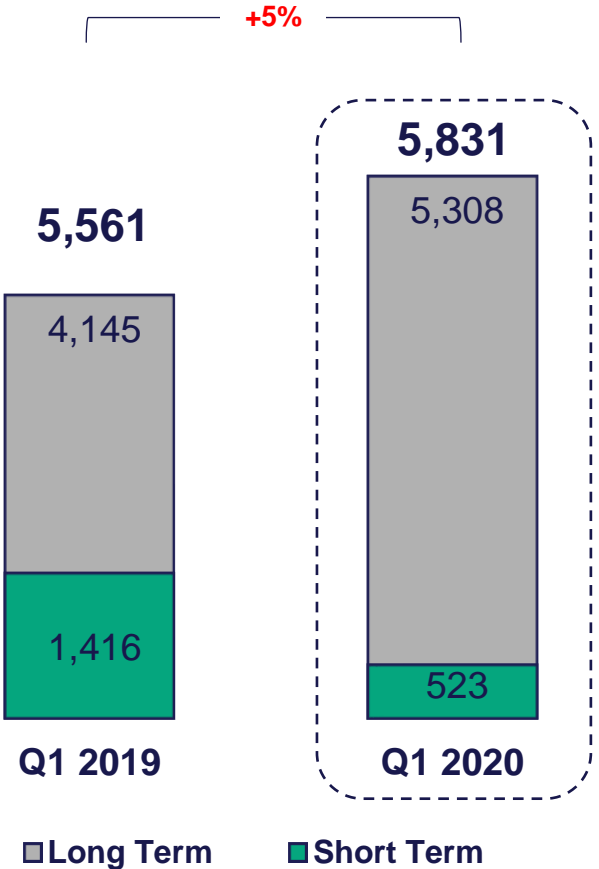


OPCO	Q1 2020 (USDm)	% OF REVENUES
Kuwait	11.2	4%
Iraq	2.2	1%
Sudan	19.3	22%
KSA	112.7	21%
Jordan	1.0	1%
Bahrain	0.1	0.1%
S. Sudan	5.1	28%
Other	2.1	N/A

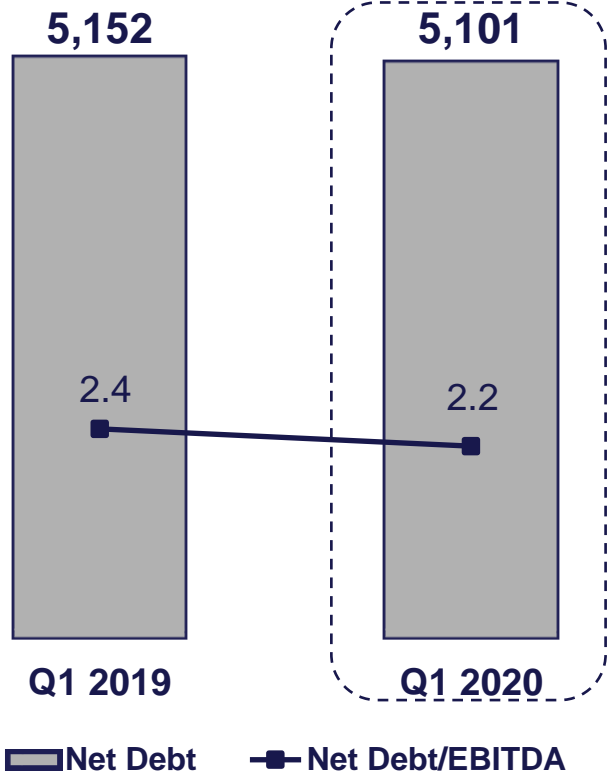
* Capex includes only tangible assets

Group Financial Highlights

TOTAL DEBT (USDm)



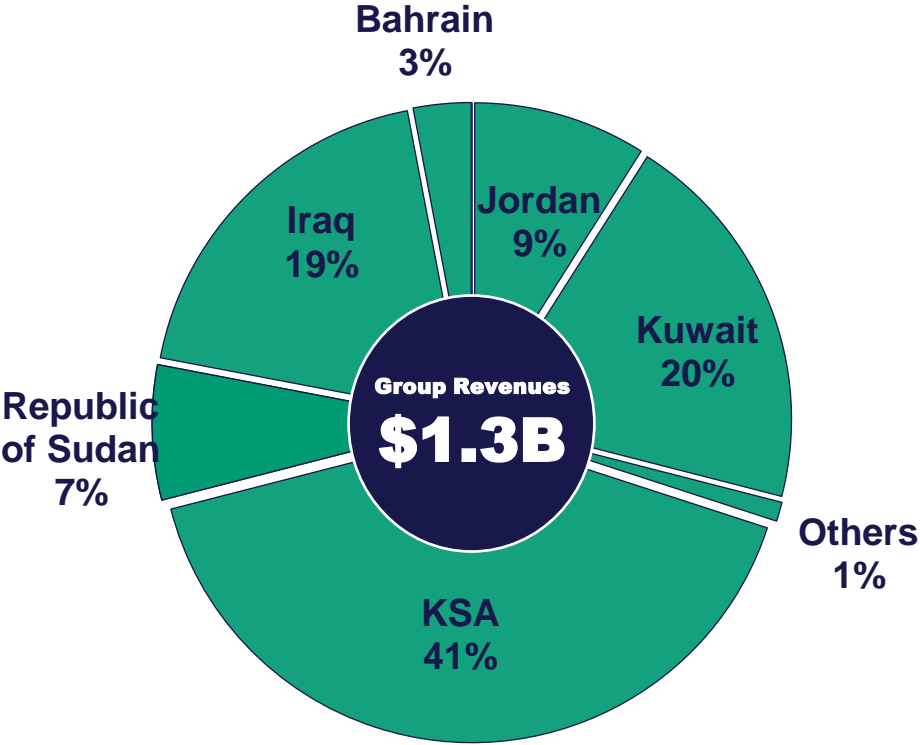
NET DEBT (USDm) & NET DEBT/EBITDA



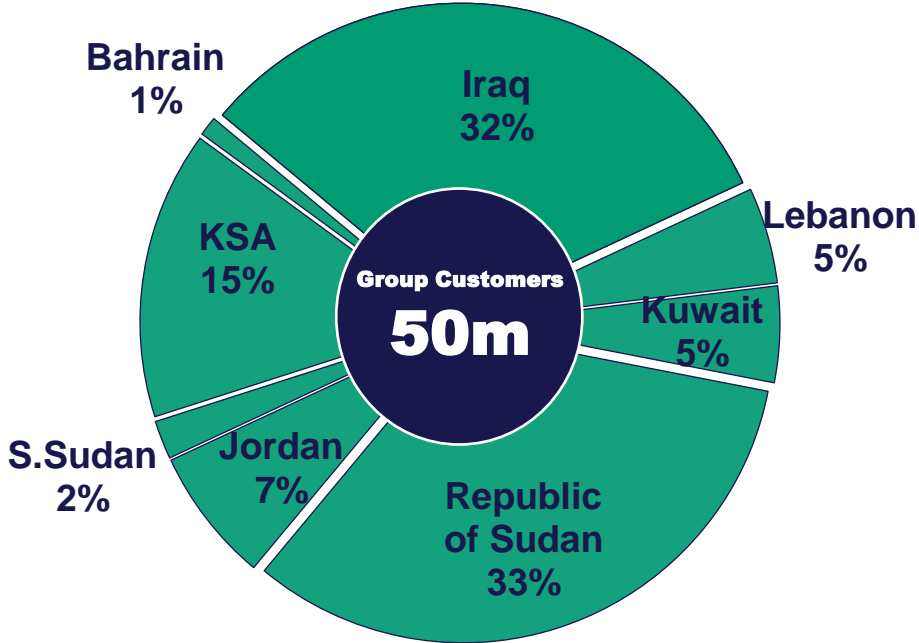
Net Debt = Total interest bearing debt (including letters of guarantee) after deducting cash and cash equivalents

Group Financial Highlights

REVENUE CONTRIBUTION

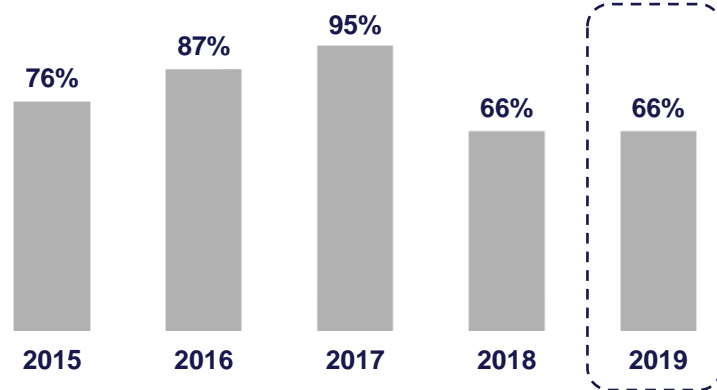


CUSTOMER CONTRIBUTION

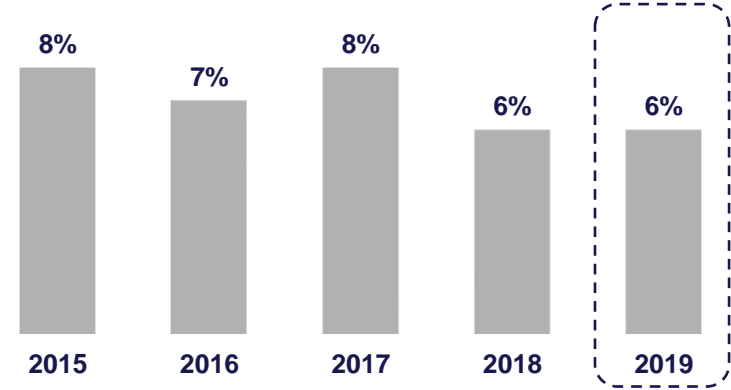


ZAIN DIVIDENDS

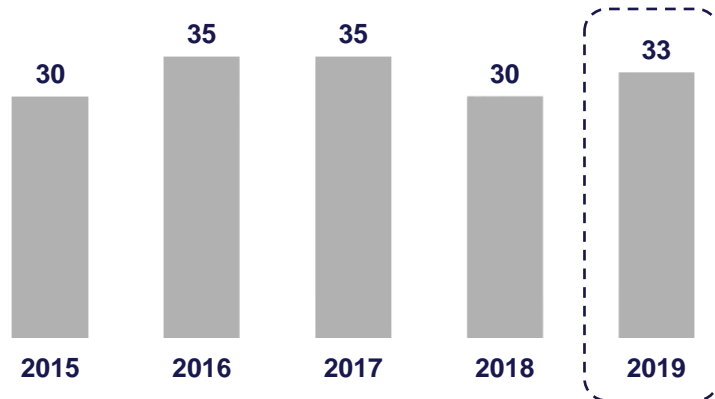
DIVIDEND PAYOUT RATIO



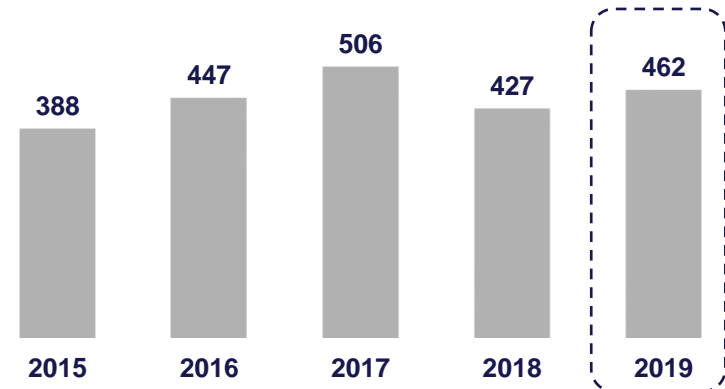
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (Fils)



CASH DIVIDEND (USDm)

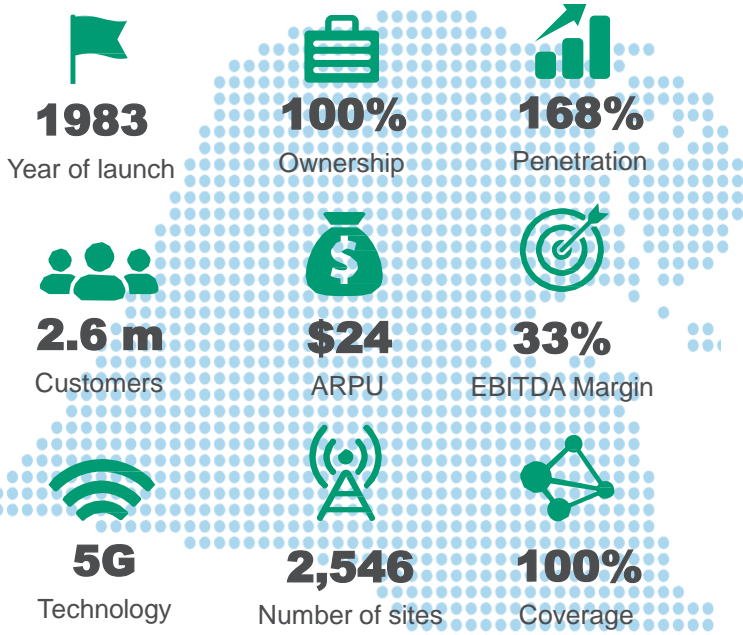


Content

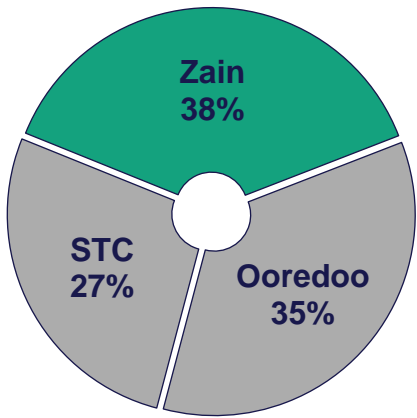
1. Results Review
2. Operations review
3. Financial Statements



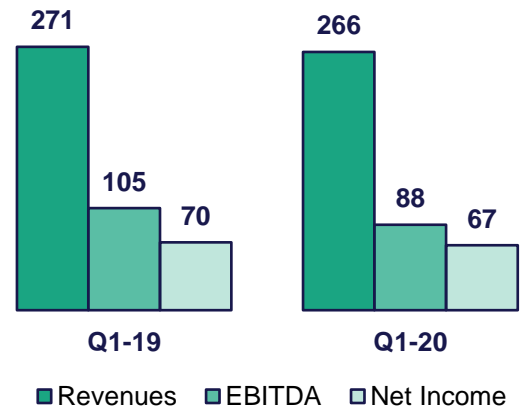
ZAIN KUWAIT



MARKET SHARE*



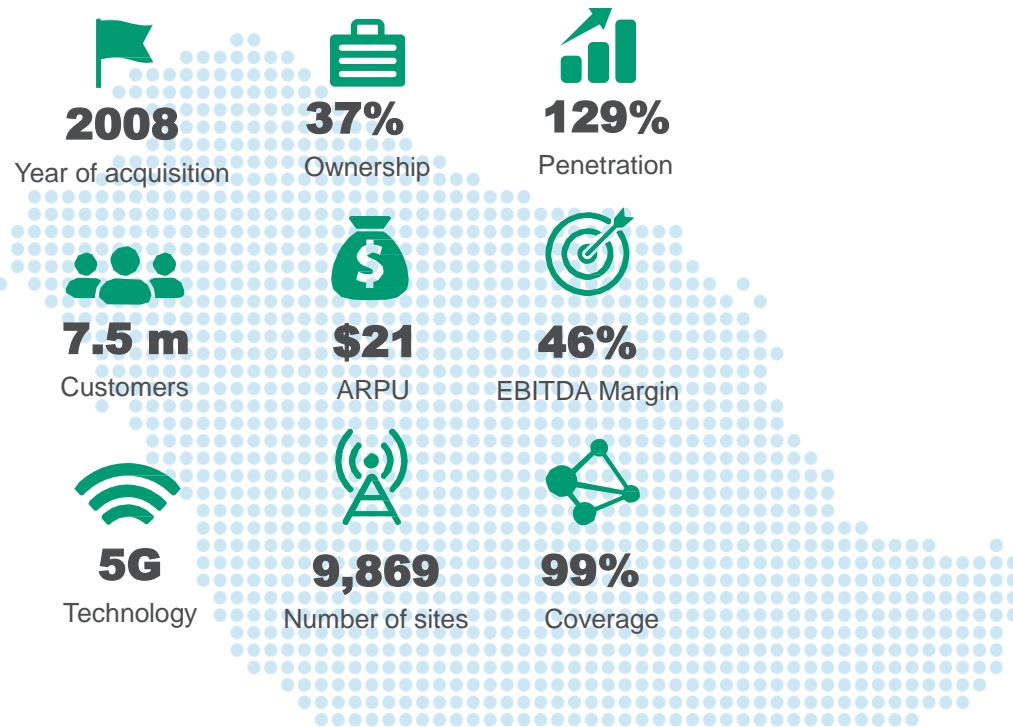
FINANCIALS (USDm)



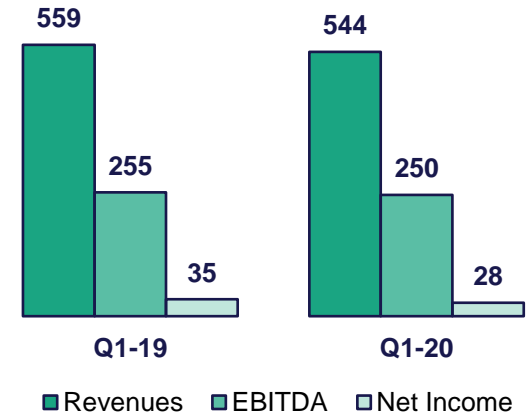
- Revenue slightly down due to the country lock down and travel restrictions due to the pandemic
- CITRA regulations to provide 1-month free airtime and 5GB free data usage, starting March 22nd
- Strong concentration on cost optimization to reduce the overall pandemic impact to the bottom line
- Data revenue formed 38% of total revenue
- On February 12, Zain Kuwait completed the sale & leaseback of the passive physical infrastructure of its 1,620 mobile tower portfolio for USD 130 million (KD40 million) to IHS Holding Limited . ~USD 15 million gain on sale and leaseback Towers for the period

* Market share as of Q4 2019

ZAIN KSA



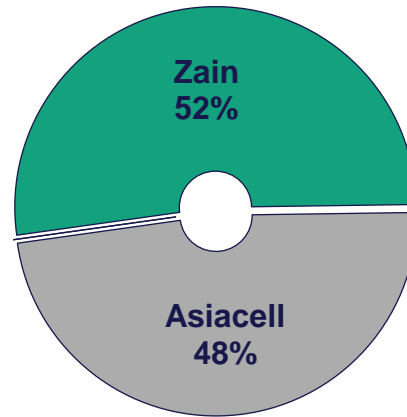
FINANCIALS (USDm)



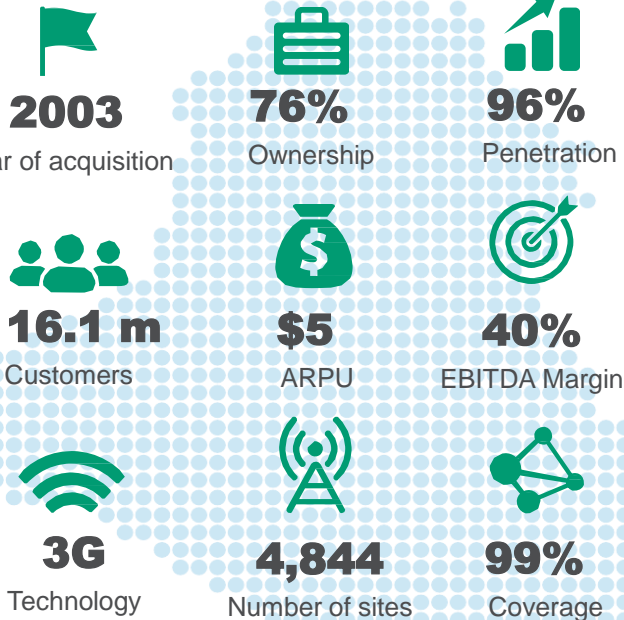
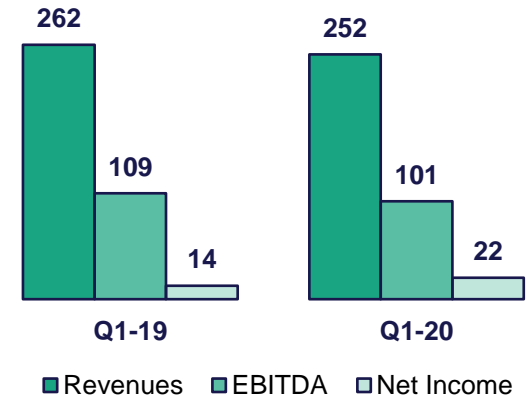
- YoY revenue impacted by 3% mainly due to decrease in trading revenue
- The impact from COVID-19 on revenue ~USD 6 million
- Major focus on cost optimization initiatives to minimize the COVID-19 impact
- Higher Depreciation and license amortization due to 5G rollout and two new licenses
- Benefits from Regulatory agreements (CITC waiver)
- Data revenue formed 50% of total revenue, 11% YoY growth

ZAIN IRAQ

MARKET SHARE*



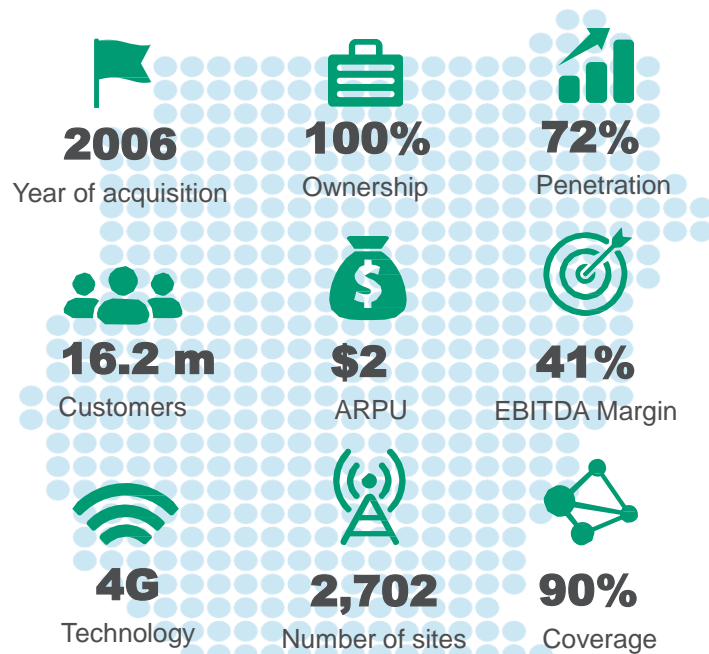
FINANCIALS (USDm)



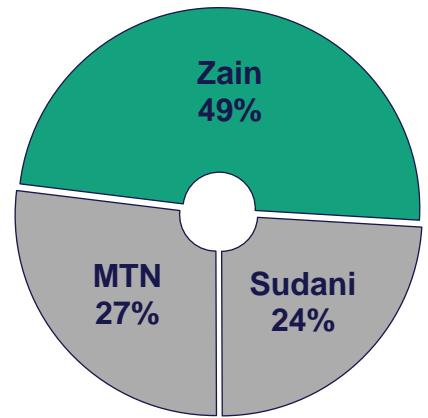
- Top line impacted due to the intense competition and country lockdown due to the pandemic
- The impact of COVID-19 on revenue is ~USD 13 million
- Robust growth in enterprise (B2B) segment
- Net income increased by 51% due to lower amortization following the license extension (2G + 3G)

* Market share as of Q4 2019

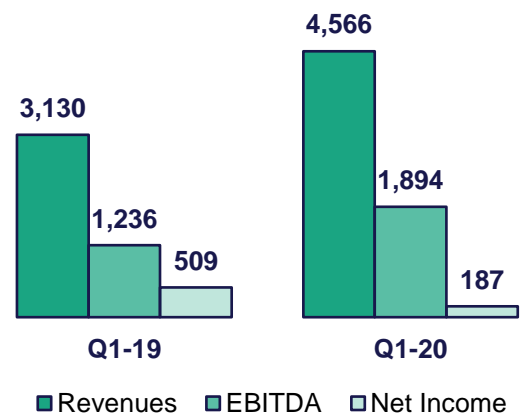
ZAIN SUDAN



MARKET SHARE*



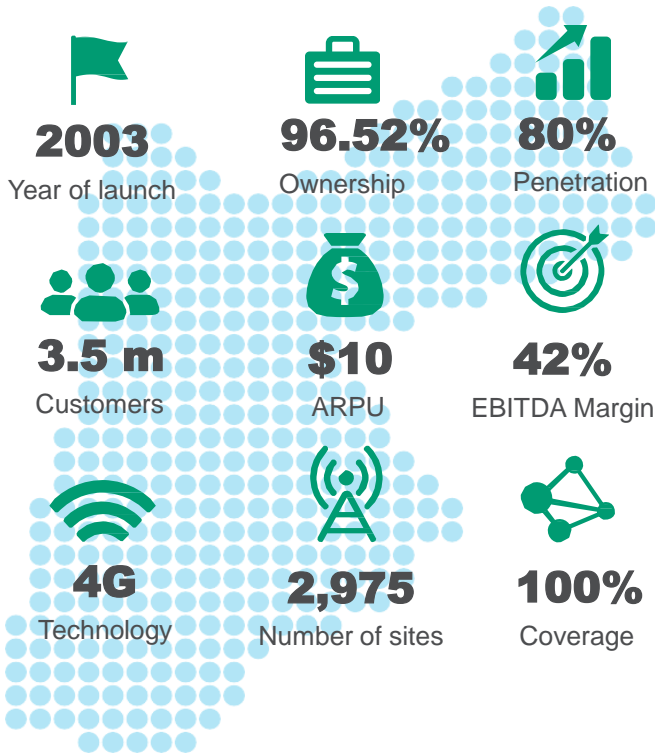
FINANCIALS (SDGm)



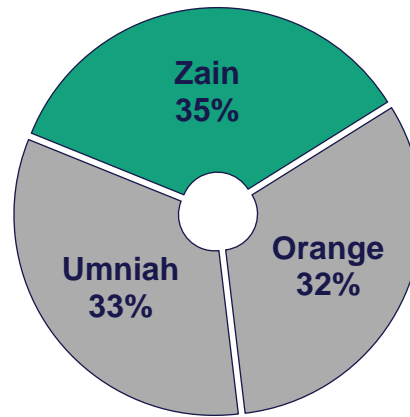
- Impressive YoY growth in SDG terms in Revenue & EBITDA
- Net income dropped by 63% due to higher currency variance loss (due to vendor payments)
- Customer base grew by 7%, to reach 16.2 million
- ~10% currency devaluation affected the financial results in USD terms (from an average of 47.5 in Q1 2019 to 52.8 SDG/USD in Q1 2020)
- Significant cost optimization savings
- Data revenue grew 87% YoY, and formed 22% of total revenues

* Market share as of Q4 2019

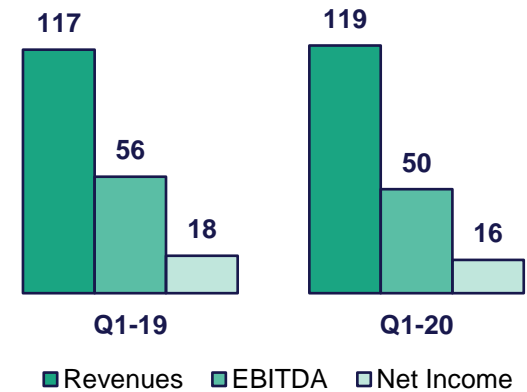
ZAIN JORDAN



MARKET SHARE

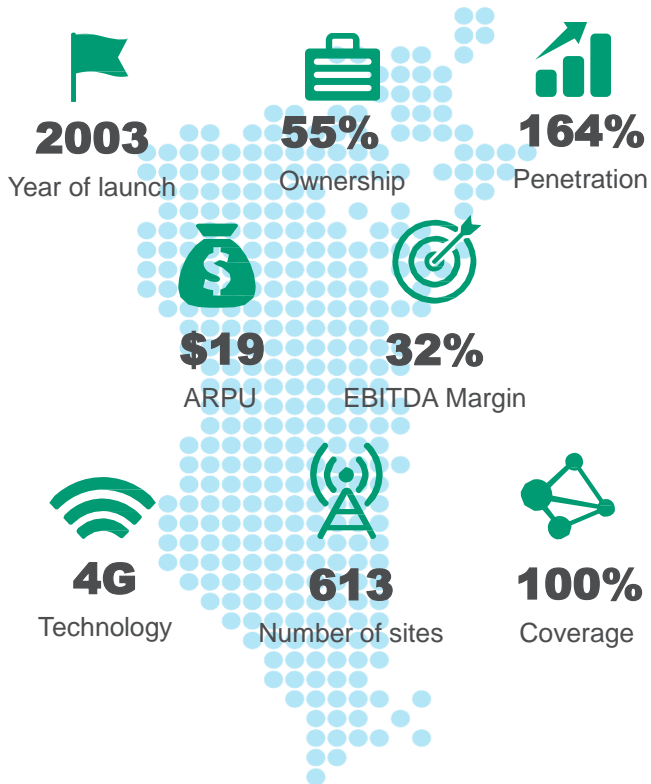


FINANCIALS (USDm)

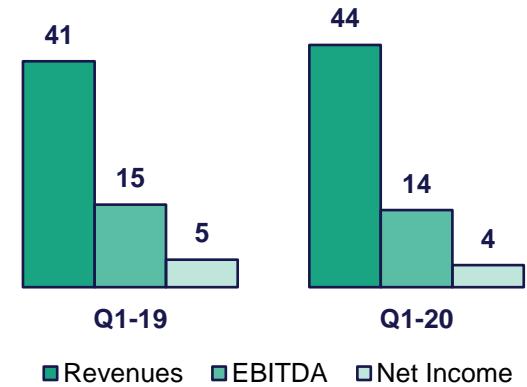


- Revenue improved mainly due to increase in data revenue
- The impact of COVID-19 on revenue is ~USD 2 million
- Further reduction in local interconnection rates (from 8.4 fils to 5.2 fils)
- Data revenue grew by 14% YoY, and formed 45% of total revenue

ZAIN BAHRAIN



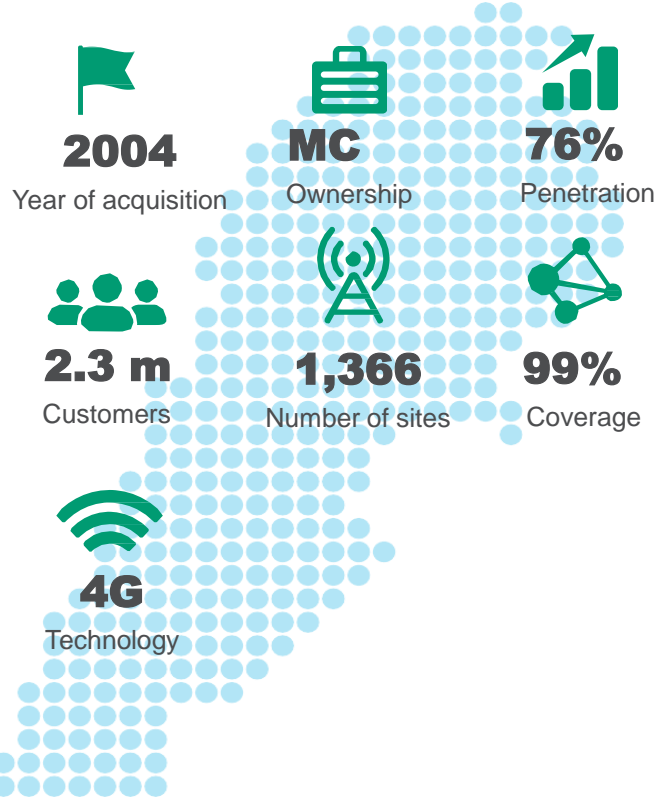
FINANCIALS (USDm)



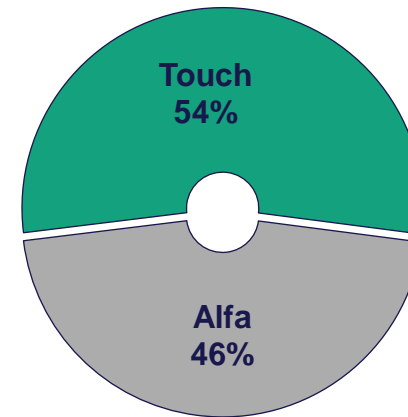
- Revenue increased by 5% YoY, due to increase in data and interconnect revenues.
- Data revenues formed 47% of total revenues

TOUCH - LEBANON

Management Contract



MARKET SHARE*



- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”

* Market share as of Q4 2019

Content

1. Results Review
2. Operations review
3. Financial Statements



Statement of Financial Position

	Unaudited	Audited	Unaudited		Unaudited	Audited	Unaudited
	(Restated)				(Restated)		
	31-Mar-20	31-Dec-19	31-Mar-19		31-Mar-20	31-Dec-19	31-Mar-19
	KD '000				KD '000		
Assets				Liabilities and Equity			
Current assets				Current liabilities			
Cash and bank balances	485,375	296,985	377,122	Trade and other payables	1,038,969	857,512	1,052,938
Trade and other receivables	602,672	555,398	551,959	Deferred revenue	96,300	98,495	100,856
Contract assets	70,607	66,889	69,453	Income tax payables	63,082	61,775	56,708
Inventories	41,805	48,513	42,249	Due to banks	164,032	180,274	430,834
Investment securities at FVTPL	7,367	8,540	10,754	Lease liabilities	44,090	42,795	46,935
Assets of disposal group classified as held for sale	6,350	17,611	13,451	Liabilities of disposal group classified as held for sale	1,632	5,397	4,975
	1,214,176	993,936	1,064,988		1,408,105	1,246,248	1,693,246
Non-current assets				Non-current liabilities			
Contract assets	24,558	28,134	20,552	Due to banks	1,354,403	1,218,450	1,011,663
Investment securities at FVOCI	6,448	6,360	7,320	Lease liabilities	155,909	144,278	144,456
Investments in associates and joint venture	73,568	72,612	71,429	Other non-current liabilities	519,767	448,518	399,330
Other non-current assets	59,860	64,669	11,444		2,030,079	1,811,246	1,555,449
Right of use of assets	186,225	181,052	184,304	Equity			
Property and equipment	1,235,259	1,229,291	1,178,864	Attributable to the Company's shareholders			
Intangible assets and goodwill	2,235,658	2,160,039	2,189,979	Share capital	432,706	432,706	432,706
	3,821,576	3,742,157	3,663,892	Share premium	1,707,164	1,707,164	1,707,164
Total Assets	5,035,752	4,736,093	4,728,880	Legal reserve	216,354	216,354	216,353
				Foreign currency translation reserve	-1,367,568	-1,371,841	-1,367,350
				Investment fair valuation reserve	-1,083	-1,088	914
				Other reserves	-5,144	-3,044	-2,019
				Retained earnings	223,293	318,509	148,856
					1,205,722	1,298,760	1,136,624
				Non-controlling interests	391,846	379,839	343,561
				Total equity	1,597,568	1,678,599	1,480,185
				Total Liabilities and Equity	5,035,752	4,736,093	4,728,880

Statement of Profit or Loss

	Three months ended		Three months ended	
	31-Mar		31-Mar	
	2020	2019	2020	2019
	KD'000			
Revenue	409,280	404,491		
Cost of sales	-110,108	-119,010		
Operating and administrative expenses	-118,608	-102,225		
Depreciation and amortization	-88,180	-90,248		
Expected credit loss on financial assets (ECL)	-9,492	-5,609		
Interest income	1,385	2,754		
Investment income	95	-190		
Share of results of associates and joint venture	397	1,578		
Other expense	-1,234	-2,616		
Gain on sale and lease back transaction	4,758	-		
Finance costs	-26,048	-28,230		
Loss from currency revaluation	-61	-1,769		
Net monetary gain	232	3,240		
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	62,416	62,166		
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	-495	-459		
National Labour Support Tax (NLST) and Zakat	-2,139	-1,630		
Income tax expenses and other levies	-4,095	-4,214		
Board of Directors' remuneration	-128	-105		
Profit for the period	55,559	55,758		
Attributable to:				
Shareholders of the Company	47,577	47,086		
Non-controlling interests	7,982	8,672		
	55,559	55,758		

	Three months ended	
	2020	2019
Earnings per share		
Basic and diluted – Fils	11	11

Statement of Cash Flows

	Three months ended		Three months ended	
	31-Mar		31-Mar	
	2020	2019	2020	2019
	KD'000		KD'000	
Cash flows from operating activities				
Profit for the period before income tax, KFAS, NLST and Zakat	62,288	62,061		
Adjustments for:				
Depreciation and amortization	88,180	90,248		
ECL on financial assets	9,492	5,609		
Interest income	-1,385	-2,754		
Investment income	-95	190		
Share of results of associates and joint venture	-397	-1,578		
Finance costs	26,048	28,230		
Gain on sale and lease back transaction	-4,758	-		
Loss from currency revaluation	61	1,769		
Net monetary gain	-232	-3,240		
(Gain)/ loss on sale of property and equipment	-25	1,411		
Operating profit before working capital changes	179,177	181,946		
Increase in trade and other receivables and contract assets	-56,798	-1,424		
Decrease in inventories	7,229	3,778		
Increase in trade and other payables	49,708	2,056		
Cash generated from operations	179,316	186,356		
Income tax paid	-1,532	-1,788		
Paid to KFAS	-674	-771		
National Labour Support Tax and Zakat paid	-10,374	-		
<i>Net cash from operating activities</i>	166,736	183,797		
Cash flows from investing activities				
Deposits maturing after three months and cash at bank under lien			2,580	-28
Investments in securities			-30	-203
Proceeds from sale of investments			1,213	4,396
Investment in associate			-553	-
Acquisition of property and equipment (net)			-44,457	-39,105
Acquisition of intangible assets (net)			-12,909	-11,522
Proceeds from sale of telecom assets (sale and lease back)			19,485	-
Interest received			1,892	1,712
Dividend received			-	173
<i>Net cash used in investing activities</i>			-32,779	-44,577
Cash flows from financing activities				
Proceeds from bank borrowings			85,596	6,050
Repayment of bank borrowings			-6,000	-15,698
Repayment of lease liabilities			-12,364	-12,319
Dividends paid to Company's shareholders			-173	-264
Dividends paid to minority shareholders of subsidiaries			-1	-307
Finance costs paid – due to banks			-13,825	-52,212
<i>Net cash from/ (used in) financing activities</i>			53,233	-74,750
Net increase in cash and cash equivalents			187,190	64,470
Effect of foreign currency translation			3,781	708
Cash and cash equivalents at beginning of period			281,902	304,236
Cash and cash equivalents at end of period			472,873	369,414



THANK YOU

Website : zain.com

Email : IR@zain.com



Note: Mobile Penetration rates are sourced from *GSMA Intelligence*